

Metro Nashville Davidson County Mixed-Income PILOT Program Program Details

Who: Developers building or substantially rehabilitating multifamily housing that are not receiving other government subsidies

What: Metro is offering a tiered program whereby a percentage of property taxes will be abated for 15 years depending on the percentage of income-restricted units created

When: Applications will be accepted and reviewed on a rolling basis until the annual program cap of \$3 million is met

- Approved applicants will be notified of application status prior to Public Notice of Health and Educational Facilities Board (HEFB) meeting
- Approved applicants must engage a third-party appraisal to confirm PILOT payment schedule
- Approved applicants will work with Metro Housing Division, Metro Legal and counsel to prepare legal documents
- Approved applicants will attend a kickoff meeting to review implementation guidance
- Approved applicants must attend HEFB meeting

Why: Incentivize mixed-income housing that is affordable to households with incomes lower than 75% or at 50% of the area median income for Nashville-Davidson County in multifamily properties that otherwise would not have any income-restricted units

How: Nashville is not able to provide direct discounts to individual tax bills outside of parameters determined by state law (such as tax freezes for eligible households). Therefore, one of the primary tools to address the tax liability of low- and moderate-income multifamily housing is through a payment-in-lieu of tax (PILOT) program. In this PILOT program, property must be transferred to a tax-exempt entity, the Health and Educational Facilities Board (HEFB), and then is leased back to the developer. Instead of making an annual tax payment, the developer will make a PILOT payment as negotiated with the HEFB and in accordance with the program's guidelines.

What properties qualify to apply?

To be eligible for a Mixed-Income PILOT, applicants must be developing new construction, multifamily housing or multifamily housing that will include substantial rehabilitation. Substantial rehabilitation shall mean financial investment (construction costs, building improvements, site improvements) equal to or greater than fifty (50%) percent of the previous assessment value.

To be considered, properties must be located in Davidson County and be appropriately zoned for the development. In addition, the applicant must have site control, which shall be the equivalent of a fee simple title or 99-year lease.

Applicant cannot combine the Mixed-Income PILOT with any additional government subsidies including but not limited to the Low-Income Housing Tax Credit, the Barnes Housing Trust Fund, Infrastructure Improvement Funds or Community Development grants. However, the developer is encouraged to accept vouchers or other types of rental assistance.

Applicant must provide evidence of financing commitment for the total project costs to display an ability to complete project. Additionally, no projects that are currently operational are eligible to apply.

Applicant must comply with fair housing laws and develop a plan for furthering fair housing, including affirmative marketing of available units. All subsidized, available units must be publicly noticed, including the City's Resident Portal (once available).

How will the payment be calculated?

Applicants will select the level of affordability they will commit to providing and the corresponding abatement level. The level selected in the application must be the level included in the executed PILOT agreement. Applicants cannot make changes to their application once review has begun.

Upon internal approval, a third-party fee appraisal will be conducted to determine what the appraisal would be on the property at the time it is placed in service. The base taxes are the taxes paid from the calendar year in which the PILOT is approved by the HEFB. The Year 1 abatement will be calculated using the below methodology:

$$[\text{Projected Year 1 tax bill (as calculated using third-party fee appraisal)} - \text{abatement (as calculated using selected level of impact)}] + \text{base year tax amount} = \text{Year 1 Payment}$$

Payments will escalate 3.5% annually. Properties within the UZO will escalate 4% annually.

The calculations will be represented in the PILOT agreement through a 15-year payment schedule.

What requirements are there for the building plans and property management?

All buildings must be built to code. All affordable units must be built and maintained to uniform standards in both construction and operations. The availability of income-restricted units must be proportional to market rate units and must be mixed throughout the building.

We expect that the applicant, development team, and property management team do not have any outstanding fair housing, safety, or wage payment claims. This includes submitting the number and type, within the preceding ten (10) years, of...

- a) Violations assessed by the U.S. Department of Labor – Occupational Safety and Health Administration and/or by the Tennessee Occupational Safety and Health Administration against the qualified company, or any contractor or subcontractor of the company
- b) Employment or wage-related legal actions filed within federal or state courts against the qualified company, or any contractor or subcontractor of the company.

Program Tiers

Tier 1

- Rate: 70% abatement, 80% abatement in the UZO
- Eligible Properties:
 - Properties in which the average income for 20% of units is 50% or below the AMI**OR**
 - Properties in which the average income for 40% of the units is 75% or below the AMI
- Application fee: \$2,000 per project
- Initiation fee: 75 basis points of year 1 PILOT payment
- Annual monitoring and reporting fee: up to 3% of the annual PILOT payment
- Developer pays all legal fees

Tier 2

- Rate: 65% abatement
- Eligible Properties:
 - Properties in which the average income for 10% of units is 50% or below the AMI AND average income for 15% of units is 75% or below the AMI (exclusive of the units meeting the 50% AMI test)
- Application fee: \$3,000 per project
- Initiation fee: 75 basis points of year 1 PILOT payment
- Annual monitoring and reporting fee: up to 4% of the annual PILOT payment
- Developer pays all legal fees

Tier 3

- Rate: 60% abatement
- Eligible Properties: Properties in which the average income for 30% of units is 75% or below the AMI
- Application fee: \$4,000 per project
- Initiation fee: 75 basis points of year 1 PILOT payment
- Annual monitoring and reporting fee: up to 5% of the annual PILOT payment

Application Priorities

As we are expecting a high volume of applications, we want to ensure we are incentivizing the most impactful projects. Metro Nashville seeks to incentivize housing security in high impact mixed-income developments. Below are important aspects of a strong application, and staff will balance the criteria below to determine what applications are selected for approval. We have included resources to research how your plan incorporates and promotes the following criteria, though you are welcome to incorporate other resources to help judge your plans.

No applicant is guaranteed approval. Application fees are nonrefundable. Disapproved applications are able to apply for the next open PILOT round.

Primary Criteria

1. Location in a high-rent market or closer to the urban core
 - Preference will be given to applications in high-rent markets. Applicants should submit a summary of no less than three comparable projects within a half-mile of the proposed site. Preference will be given to applicants proposing projects within the highest rent areas. Housing Division staff will use CoStar to confirm submitted information.
2. Affordability of Units
 - Preference will be given to those applying at an abatement level that includes affordability at 50% AMI.
3. Opening Date
 - Preference will be given to applications that can demonstrably prove earliest availability of units.
4. Commitment to Accepting Housing Choice Vouchers
 - Preference will be given to applicants that commit to accepting Housing Choice Vouchers. This commitment requires compliance with MDHA's Section 8 guidelines, including an inspection from MDHA.
 - To learn more about accepting housing choice vouchers, please read MDHA's Section 8 overview for landlords: https://www.nashville-mdha.org/wp-content/uploads/2015/02/About_TheHCVProgram.pdf
5. Area Information: Transit Access, Walkability Score, and Food Access
 - Preference will be given to accessible, connected developments. Determine the walk score for the proposed development including transit access, walkability and amenity access including access to grocery stores at <https://www.walkscore.com/>
6. Healthy or Green Building Certification
 - Metro Nashville seeks to incentivize the development of healthy and green buildings. Examples of accepted certifications include LEED, Green Globes, NAHB Green, and Energy Star